

Message Text

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60

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SS-20 EB-11 L-03 H-03 NSC-10

CIAE-00 INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01

SPC-03 SAM-01 OIC-04 FEA-02 NEA-11 COME-00 INT-08

TRSE-00 FRB-02 STR-08 CEA-02 CIEP-02 OMB-01 DRC-01

/160 W

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R 311737Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 3023

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 1468

E.O. 11652: GDS

TAGS: ENRG IT

SUBJECT: ENERGY: PREPARATIONS FOR WASHINGTON ENERGY CONFERENCE

STATE ALSO FOR T/IEP

REF: A) STATE 19381 B) STATE 19514

1. SUMMARY: WE TRANSMITTED THE US VIEWS ON THE WASHINGTON ENERGY

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CONFERENCE TO UNDERSECRETARY PEDINI, PM'S DIPLOMATIC ADVISOR,

ACTING DG ECONOMIC AFFAIRS, MFA, AND SENIOR TREASURY OFFICIAL. PM'S OFFICE TELLS US AMBASSADOR ORTONA WILL BE COMMUNICATING SOME GOI VIEWS SHORTLY. WE ALSO INFORMED MFA OF US VIEWS ON ANY PRE-MATURE EC POSITION ON CONSUMER-PRODUCER RELATIONS. WE RECEIVED NO SUBSTANTIVE COMMENT, PARTLY BECAUSE FONMIN AND HIS PRINCIPAL ADVISORS ARE ABSENT IN MIDDLE EAST. END SUMMARY.

2. AMBASSADOR ON JANUARY 30 INFORMED MFA UNDER SECRETARY PEDINI, WHO IS ACTING IN ABSENCE OF MORO IN MIDDLE EAST, THAT US HAD FURTHER VIEWS ON THE PLANNING FOR CONFERENCE, AND SENT TO HIM AIDE MEMOIRE. SINCE ENTIRE ITALIAN FIRST TEAM AT MINISTRY FOREIGN AFFAIRS (SEC GEN GAJA, DG POLITICAL AFFAIRS DUCCI, AND DG ECONOMIC AFFAIRS GUAZZARONI) ARE ACCOMPANYING FOREIGN MINISTER ON HIS MIDDLE EAST TOUR, MFA WAS AND IS HANDICAPPED IN ITS ABILITY REACT RAPIDLY.

3. DCM DELIVERED COPY AIDE MEMOIRE TO PETRIGNANI, DIPLOMATIC ADVISOR TO PRIME MINISTER, ON JAN 30. PETRIGNANI COMMENTED THAT HE WOULD INSTRUCT MFA TO CABLE TEXT TO FOREIGN MINISTER. PETRIGNANI OBSERVED THAT AMBASSADOR ORTONA, WHO RETURNED TO US ON JAN 30 AFTER CONSULTATIONS IN ROME ON THE ENERGY PROBLEM, WILL BE PRESENTING SOME GOI VIEWS ON HOW TO PROCEED. AS BRIEFLY SKETCHED BY PETRIGNANI, BACKGROUND OF ITALIAN POSITION IS BASIC GOI BELIEF THAT CRISIS AS IT AFFECTS ITALY CAN ONLY BE SOLVED IN A MULTILATERAL CONTEXT IN COOPERATION WITH THE MAJOR INTERNATIONAL OIL COMPANIES (WHICH MEANS THE US) SINCE GOI DOES NOT HAVE ADEQUATE MEANS TO DO OTHERWISE IN VIEW OF RELATIVELY MINOR ROLE THAT STATE OIL COMPANY ENI IS CAPABLE OF PLAYING AS SUPPLIER. ALSO, ANY SPECIAL DEALS WITH ARABS CAN HAVE ONLY MARGINAL EFFECT ON ITALIAN SITUATION.

4. WE ALSO DROPPED COPIES OF AIDE MEMOIRE WITH RISTAGNO OF MIN INDUSTRY AND PALUMBO, DIRECTOR GENERAL IN THE TREASURY. PALUMBO COMMENTED THAT HE EXPECTS FINANCE MINISTER LA MALFA TO ACCOMPANY MORO. PALUMBO WILL PROBABLY GO AS WELL. PALUMBO ECHOED THE DEEP CONCERN WHICH WE HAVE BEEN HEARING CONSISTENTLY OVER THE CATASTROPHIC EFFECTS OF OIL PRICE INCREASES ON THE ITALIAN BALANCE OF PAYMENTS SITUATION. LOOKING AT PROJECTIONS OF A \$6-7 BILLION CURRENT ACCOUNT DEFICIT FOR 1974, PALUMBO MUSED THAT ABOUT ONE HALF WOULD BE DUE TO NORMAL DEVELOPMENTS, AND MADE A DISTINCTION BETWEEN THE MEASURES WHICH THE GOI ITSELF SHOULD TAKE TO FINANCE

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THIS DEFICIT AND THE OTHER HALF, WHICH CONCEIVABLY MIGHT BE SUBJECT TO SPECIAL BALANCE OF PAYMENTS ARRANGEMENTS AS A RESULT OF MULTI-LATERAL DECISIONS TAKEN TO MODERATE THE INCIDENCE OF INCREASED OIL PRICES.

5. ECON-COMM MINISTER SAW RICCIULLI, ACTING DIRECTOR GENERAL FOR ECONOMIC AFFAIRS MFA, ON JAN 31 TO REVIEW SITUATION. RICCIULLI, WHO WAS ACCOMPANIED BY LOPEZ-CELLY, OFFICE DIRECTOR FOR

ENERGY MATTERS, NOTED THAT GOI REACTION TIME WILL BE RELATIVELY SLOW AND IT WILL BE SOME DAYS BEFORE ANY CONSIDERED COMMENTS CAN BE MADE AVAILABLE, NOTING THAT MORO AND HIS PRINCIPAL ADVISORS WILL BE IN BRUSSELS FEBRUARY 4 AND 5. RICCIULLI WELCOMED THE US VIEWS BUT EXPRESSED DISAPPOINTMENT THAT UNDER SECRETARY DONALDSON'S VISIT HAS HAD TO BE CANCELLED BECAUSE OF WORK PRESSURES. HE EMPHASIZED THAT GOI HAD BEEN LOOKING FORWARD TO DISCUSSIONS WITH HIM. HE WAS UNABLE TO MAKE ANY PRELIMINARY COMMENTS ON COMPOSITION OF ITALIAN DELEGATION, SAYING THAT MATTER WILL HAVE TO BE STUDIED IN LIGHT OF US VIEWS HE HAD JUST RECEIVED.

6. ECMIN ALSO TOOK UP EC PROPOSALS FOR COOPERATION WITH PRODUCERS (REF B) STRESSING IN LOW KEY US VIEW THAT CONSUMER-PRODUCER RELATIONS ARE EXPECTED TO BE IMPORTANT ELEMENT OF WASHINGTON DISCUSSIONS, AND EXPRESSING US VIEW THAT EC MIGHT ADVANTAGEIOUSLY AVOID ANY CONCLUSIONS PRIOR FEB 11 AND BE PREPARED TO CONSULT PRIOR TO ADOPTING ANY DECISIONS. IT WAS APPARENT THAT LOPEZ-CELLEY AT LEAST GOT THE POINT.

7. RICCIULLI SAID HE COULD NOT AT THIS POINT COMMENT ON SUBSTANCE EXCEPT TO REAFFIRM THAT ITALY DESIRES BE ON GOOD TERMS WITH THE US, THE COMMUNITY AND THE PRODUCERS. HE WILL BE IN TOUCH WITH US IN THE MIDDLE OF NEXT WEEK FOR A FURTHER REVIEW. VOLPE

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